

The Batasingaram Farmers Service Co-Operative Society Limited

April 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated July 1, 2019, placed the rating(s) of The Batasingaram Farmers Service Co-Operative Society Limited (BFSCSL) under the 'issuer non-cooperating' category as BFSCSL had failed to provide information for monitoring of the rating. BFSCSL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated December 05, 2023, December 15, 2023, December 19, 2023, December 25, 2023, and April 04, 2024. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in rating factors in the non-cooperation by BFSCSL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating take into account relatively small scale of operation, high geographic concentration of business, concentrated loan portfolio, leveraged capital structure, weak asset quality, inadequate MIS system and safety mechanisms and competition from various small unorganized players in the financing segment. The rating is, however, underpinned by experienced management team, long track record of operation, minimum regulatory restrictions leading to ease of business expansion, improved operating income during FY15-FY18 (refers to the period April 1 to March 31) and moderate growth in loan portfolio.

Analytical approach:

Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on January 19, 2023, the following were the rating strengths and weaknesses

Key strengths

Experienced management team and long track record of operation: The Batasingaram Farmer's Service Co-op Society Limited (BFSCSL) was founded by a group of farmers on January 04, 1978, with an objective to help small and marginal farmers, rural artisans and agriculture labourers. BFSCSL has long track record of operation and for 4 decades it has been engaged in lending money to its members. At present, Mr. Vithal Reddy is the president of BFSCSL who joined the society in the year 2013. He has an industry experience of more than two decades and is also the director of a co-operative bank in Ranga Reddy district. He is also supported by qualified management team in day-to-day business activities.

Minimum regulatory restrictions: BFSCSL is registered under Andhra Pradesh Co-operative Societies Act of 1964 where each society is governed by its own set of bye-laws. There is no intervention from any government regulatory bodies. However, the society has NPA provisioning norms for loans overdue for more than 180 days which is similar to NBFCs.

Improved operating income during FY15-FY18: The total operating income of the society increased at a CAGR of 31.43% from Rs.2.33 crore in FY15 to Rs.4.70 crore in FY18 on account of increase in the addition of number of members along with

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

increased ticket size of loan. Similarly, the PAT margin and the Return on Total Assets (ROTA) witnessed significant growth during the Period FY15-FY18.

Moderate growth in loan portfolio: The society registered significant growth in loan portfolio at CAGR of about 45% during FY15-FY17. However, the loan portfolio growth has been relatively moderate in FY18 with growth of about 8% registered during the year. The resource profile of the society has been satisfactory with major portion of funding done through deposit from members. However, despite the growth, the size and scale of operation remains small.

Key weaknesses

Relatively small scale of operation: BFSCSL was founded on January 04, 1978 and despite the long existence and improved scale of operation; the society remains relatively small in size with an outstanding loan portfolio of Rs.29.21 crore as on March 31, 2018.

Concentrated loan portfolio: The loan portfolio of BFSCSL is diversified into crop loans, gold loans, agricultural loans, non-agricultural loans and loans against fixed deposits to its members. However, the loan portfolio has been concentrated to the agriculture loan constituting about 45%-80% during the period FY15-FY18. Apart from concentrated loan portfolio, the society also has regional concentration in Ranga Reddy District, Telangana with total three operational branches.

Leveraged capital structure: The overall gearing of the society has been on the higher side as March 31, 2018 mainly due to high deposit received from the members along with increase in the bank borrowings. The society has total debt of Rs.28.30 crore as on March 31, 2018 as against a small networth base of Rs.6.55 crore as on March 31, 2018. The capitalization level has been low in the past with a moderate capital adequacy ratio 13.49% as on March 31, 2017. However, the same witnessed improvement to 18.61% as on March 31, 2018. The Net NPA to networth remains high at 43.91% as on March 31, 2018.

Weak asset quality & liquidity: The society has weak asset quality with high NPA ratio reported in the last three years ending March 31, 2018. The GNPA ratio, although has been improving from 30.59% in FY15 to 11.53% in FY18; the same remains on the higher side. In the event of outbreak of pandemic COVID-19, the society has taken moratorium on loans availed from Central Bank of India for the period March 2020 – June 2020.

Inadequate MIS system and safety mechanisms: The society has evolved with time and has adopted computerized system which records the data and retrieves whenever required. However, the society is still not fully integrated with the other branches and still requires maintaining and recording of data manually. The society has surveillance system installed at its branches and other properties which is a major safety measure adopted in the last few years.

Increasingly rural focused and competitive sector: The operations of the co-operative societies are similar to that of Non-Banking Financial Companies (NBFC) which have rapidly emerged as an important segment of the Indian financial system. Moreover, NBFCs assume significance in the small business segment as they primarily cater to the credit requirements of the unorganized sector such as wholesale & retail traders, small-scale industries and small borrowers at the local level. The sector is also characterized by intense competition and fragmentation due to the presence of large number of unorganized money lenders, NBFCs and other players attributable to low entry barriers. Similarly, the emerging new age small finance banks have further increased the competition in the sector.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Other Financial Services

The Batasingaram Farmer's Service Co-op Society Limited (BFSCSL) was founded on January 04, 1978, with an objective to help farmers particularly small and marginal farmers, rural artisans and agriculture labourers. BFSCSL is registered under Andhra Pradesh Co-operative Societies Act of 1964. It is engaged in lending money to its registered members from the corpus formed by taking deposits from its members and loans from banks. BFSCSL also procures and supplies agricultural inputs like fertilizers, seeds, manures, cattle feeds, pesticides etc. The society runs by its own bye-laws which are framed conforming the principles laid down in the Act and it is governed by the co-operative registrar. The loan portfolio of BFSCSL is diversified into crop loan, gold loan, agricultural loan, non-agricultural loan and loan against fixed deposits. Any member who needs financial assistance should have 10% of the loan value as share capital.

Brief Financials (₹ crore)*	FY17 (A)	FY18 (A)	*FY19 to FY24 (UA)
Total operating income	3.81	4.70	NA
PAT	1.45	1.94	NA
Interest coverage (times)	1.98	2.17	NA
Total Assets	34.43	36.70	NA
Net NPA (%)	13.51	0.00	NA
ROTA (%)	4.84	5.45	NA

A: Audited; UA: Unaudited; NA: Not Available

*Financials for FY19 onwards is not available, #Based on best available information

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2022	8.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	8.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (19-Jan-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (25-Oct-21)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (19-Jan-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (25-Oct-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities - Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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